



# Film and TV Studio Market Update

Report for Scottish Enterprise

December 2015

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# 1. Introduction

This report provides an update to a previous market assessment developed as part of the Options Appraisal for a film and TV production studio in Scotland in 2014.

## 1.1 Background

In 2013, EKOS was commissioned by Scottish Enterprise (SE) to undertake a detailed appraisal of possible options for the development of a film and TV production studio in Scotland. Since the publication of the report early in 2014, SE and its partners have been pursuing a number of opportunities to bring to market a viable proposition for a studio project.

At this time SE is now appraising a private sector led proposition which is seeking public sector support and, as part of its appraisal work, SE wishes some updated assessment of the market in which a studio would operate.

In particular, the update is intended to examine:

- recent demand for studio space based on the volume of production activity in the UK, taking account of the extension of the film tax credit scheme into high end TV (which was still relatively recent at the time of the previous analysis);
- the effects on the supply of studio space across the UK, identifying any broad trends and/ or constraints in the supply of suitable production space; and
- pricing for studio space.

## 1.2 Study Method

The assessment is based mainly on publicly available data and information on production in Scotland and the UK, and on feedback from industry contacts, although the short timescale for the work made it difficult to engage as many consultees as hoped. We have also conducted a web-based search of studios across the UK and updated previous information on the supply side.

It is important to note a number of constraints on the analysis:

- gathering robust information on studio usage is difficult as studios are reluctant to share this information;
- studios are also reluctant to publish information on pricing, preferring instead to negotiate rates on a case by case basis – attempts to collect this information from studio operators were not successful; and
- the short timescale for the work made it difficult to engage many industry professionals to canvas wider input.

## 2. Demand

### 2.1 Introduction

The original study brief was clear that the primary sources of demand for a studio facility would be feature film production and high end TV production – most obviously in drama production, given the criteria for qualification for the TV production tax credit (production budget of over £1m per hour). While additional demand may also come from entertainment production in TV and commercials, the BBC's studio at Pacific Quay already provides facilities for these markets, and greater economic impacts will arise from film and drama production.

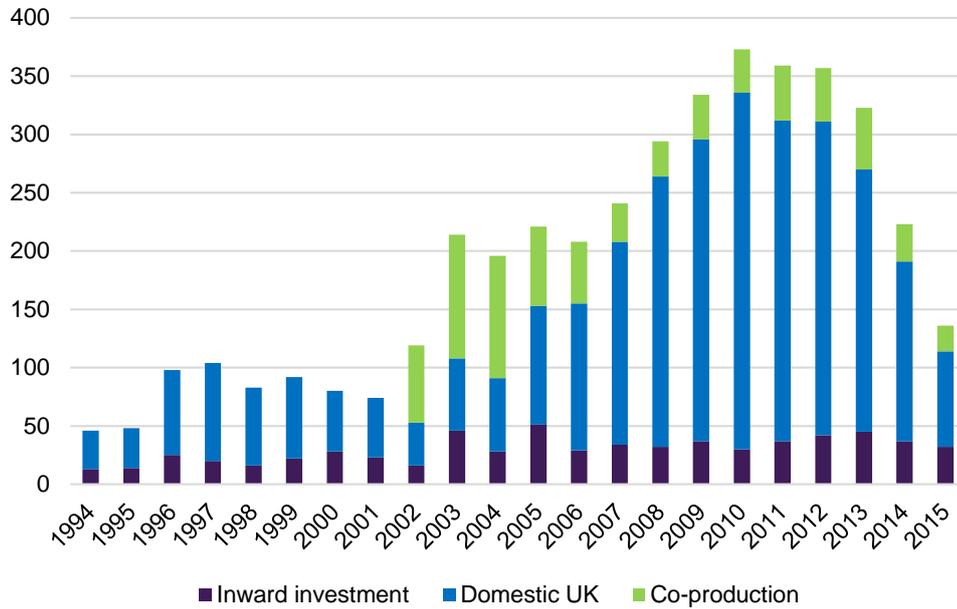
In this section we review the market context in which any new studio would operate, drawing on previous published research, film and TV production data provided by the British Film Institute (BFI), Creative Scotland and consultation with stakeholders in and connected to the production industry.

### 2.2 UK Market

#### Film Production

The number of films being produced and/ or shot in the UK was on an overall upward trend for around a decade from 2001 onwards, but began to level out from 2010 and has since been reducing, although 2015 data will be subject to revision ([Figure 2.1](#), over).

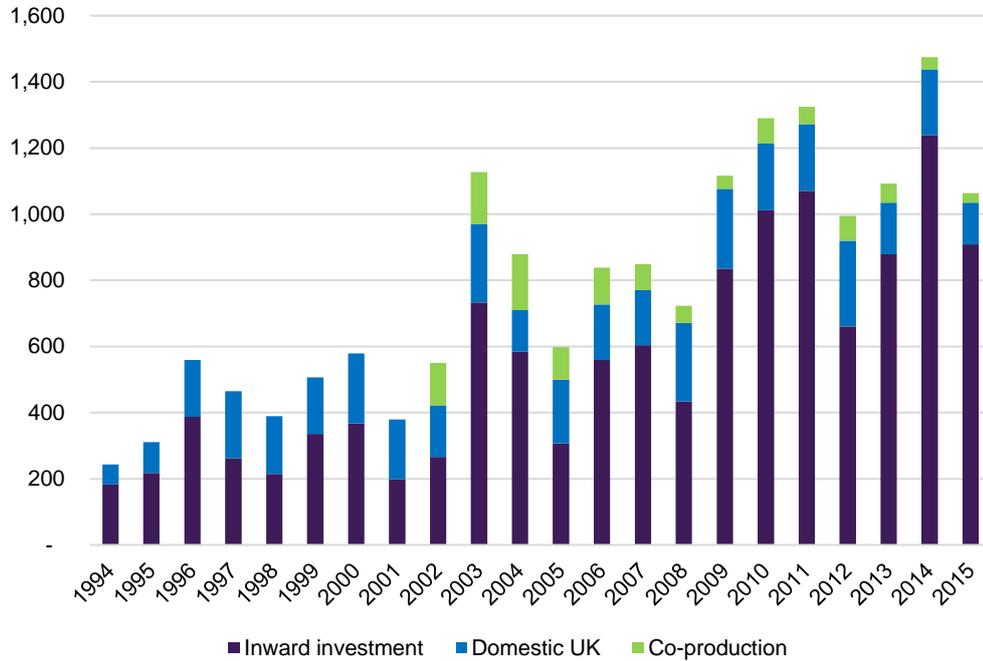
Figure 2.1: Number of film productions in the UK



2015 figure is for Q1-Q3 only, and will likely be revised upwards due to a time lag in receiving complete data for all productions  
Sources: BFI Yearbook 2014 / BFI November 2015 update

However, the decline in the number of films being made over recent years has not been reflected in a reduction in total spend, with film production spend reaching a record high of £1.47bn in 2014. This remains largely driven by foreign productions (84% of spend in 2014) – [Figure 2.2](#).

Figure 2.2: Film production spend in the UK

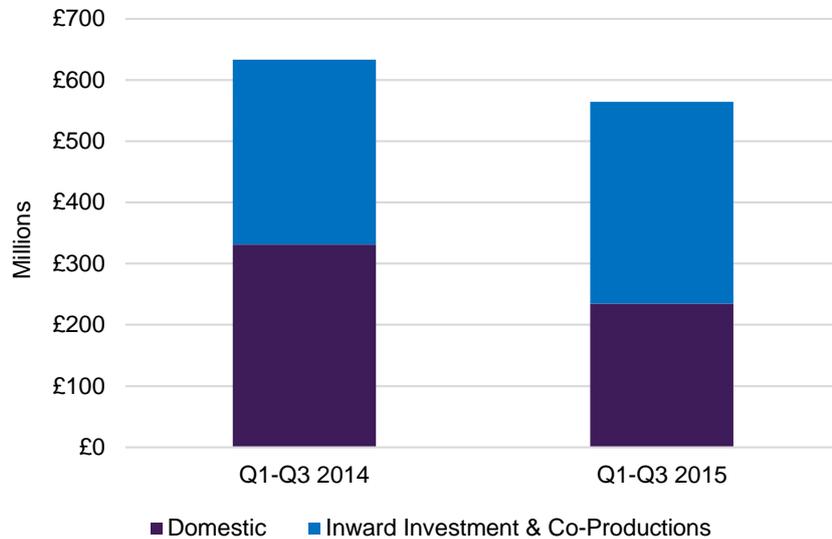


2015 figure is for Q1-Q3 only, and will likely be revised upwards due to a time lag in receiving complete data for all productions  
Sources: BFI Yearbook 2014 / BFI November 2015 update

## TV Production

Data on high end TV (HETV) programmes has been collected since 2014, following the introduction of HETV tax relief in 2013. **Figure 2.3** shows that total spend decreased slightly from Q1-Q3 2014 to Q1-Q3 2015. This can be attributed to a fall in domestic spending, as inward investment and co-production spend increased over this period.

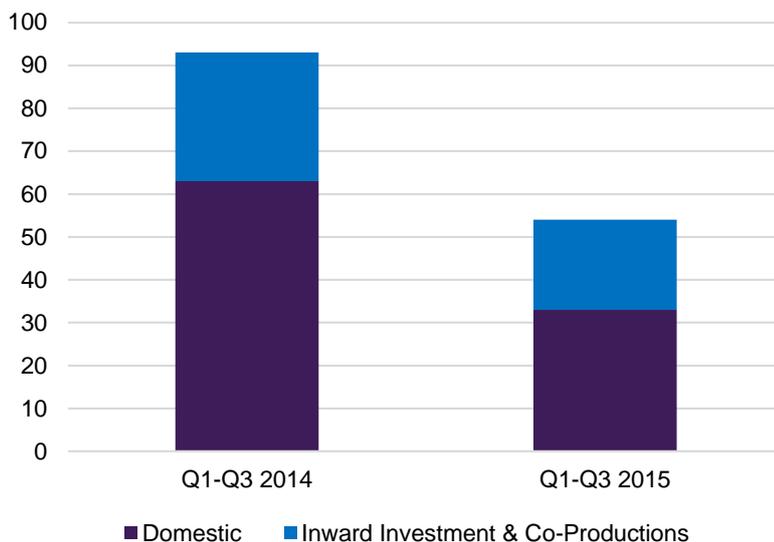
**Figure 2.3: High End Television production spend in the UK**



2015 figure may be revised upwards due to a time lag in receiving complete data for all productions  
Sources: BFI Yearbook 2014 / BFI November 2015 update

The number of productions commencing principal photography in the first three quarters of 2014 was considerably higher than the first three quarters of 2015. This was again due mainly to the fall in the number of domestic productions,

**Figure 2.4: Number of HETV productions in the UK**



2015 figure may be revised upwards due to a time lag in receiving complete data for all productions  
Sources: BFI Yearbook 2014 / BFI November 2015 update

## 2.3 Impacts of the Tax Credits

The introduction of tax relief for film production in January 2007 is widely credited with spurring significant growth in film production in the UK, both domestic and inward investment. Similar tax relief was subsequently extended to high end TV<sup>1</sup> (HETV) in April 2013, and has also provided a significant boost to the TV production market.

A recent report<sup>2</sup> examined the economic impacts of the UK's screen sectors (including film, TV, video games and animation) and provided an assessment of the importance and impacts of the tax relief schemes in both film and HETV. The report attributes much of the increase in production activity and strong growth in the trade surplus generated by the film sector to the introduction of the film tax relief (FTR), and notes also the "extremely high occupancy rates of production stages at major UK studios". It estimated the return to the Exchequer from the FTR to be £12.49 for every £1 in tax relief provided.

The report also identified the strong growth in the HETV sector following the introduction of high end TV tax relief (HETR), with growth in both domestic and incoming productions, with this again creating demand for studio space in the UK.

There can be no doubt that the tax relief schemes have substantially enhanced the competitiveness of the UK sector, both in terms of domestic production volume and quality, and in attracting incoming production. The support is considerable (20-25% of qualifying spend) and combined with the strength of the sector and crew base in the UK makes for a compelling offer to the global market. So much so, in fact, that the Republic of Ireland, an early entrant into the market for incentives to attract mobile production, increased its tax relief from 25% to 32% of qualifying spend.

The UK tax incentives clearly support additional production business in the UK (domestic and incoming), and Scotland can expect to have a share of this business. However, as noted in the 2014 studio report, Scotland's competitive offer is weakened by the lack of suitable production space, and additional incentives to mitigate against the dominance of the south of England and London area. The latter

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<sup>1</sup> HETV is defined, for the purposes of the tax relief, as productions with spend of more than £1m per broadcast hour.

<sup>2</sup> *Economic Contribution of the UK's Film, High End TV, Video Games and Animation Programming Sectors*, Olsberg-SPI and Nordicity, February 2015.

has been addressed via the new Production Growth Fund announced by the Scottish Government this year, of which more later.

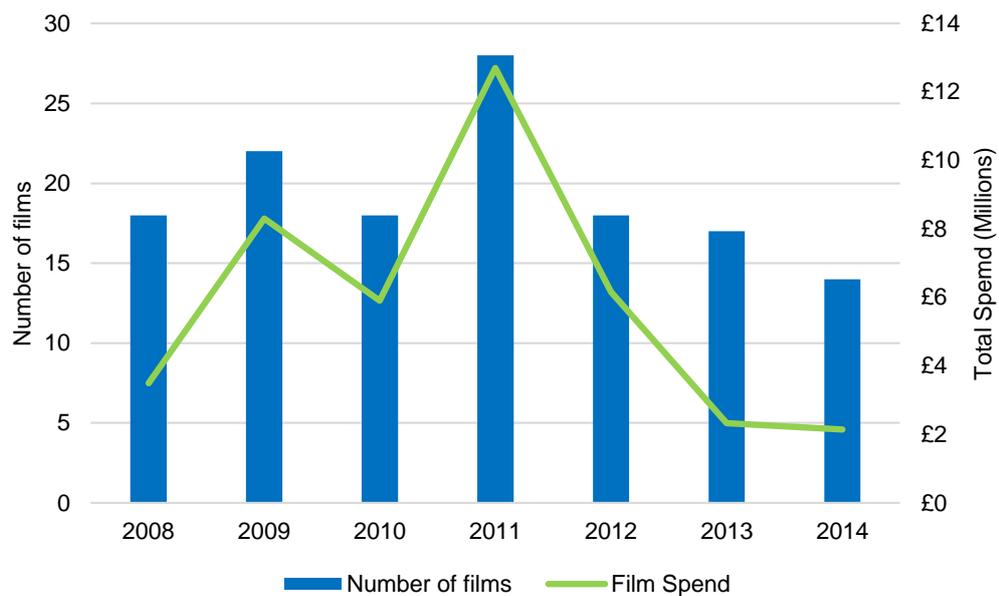
## 2.4 Scottish Market

Creative Scotland provided updated data relating to the number of film and television productions produced in Scotland.

### Film Production

In 2014, 14 feature films were produced and/or shot in Scotland, which represents 6.3% of films made in the UK that year. Total spend was £2.14m, a decline on the previous three years, although Creative Scotland advise that this is likely to be revised upwards as more complete data becomes available.

**Figure 2.7: Film production in Scotland, 2008-2014**

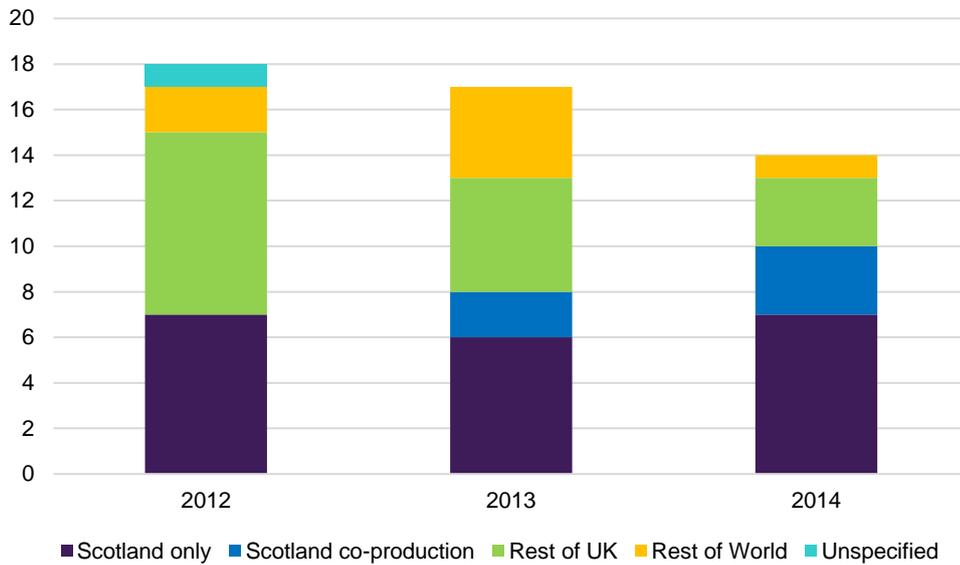


Source: Creative Scotland

Spend will likely rise as some figures are still to be submitted to Creative Scotland

The film market in Scotland is dominated by Scottish and UK productions, with a smaller number of international productions each year.

**Figure 2.8: Country of origin of film production in Scotland, 2012-2014**

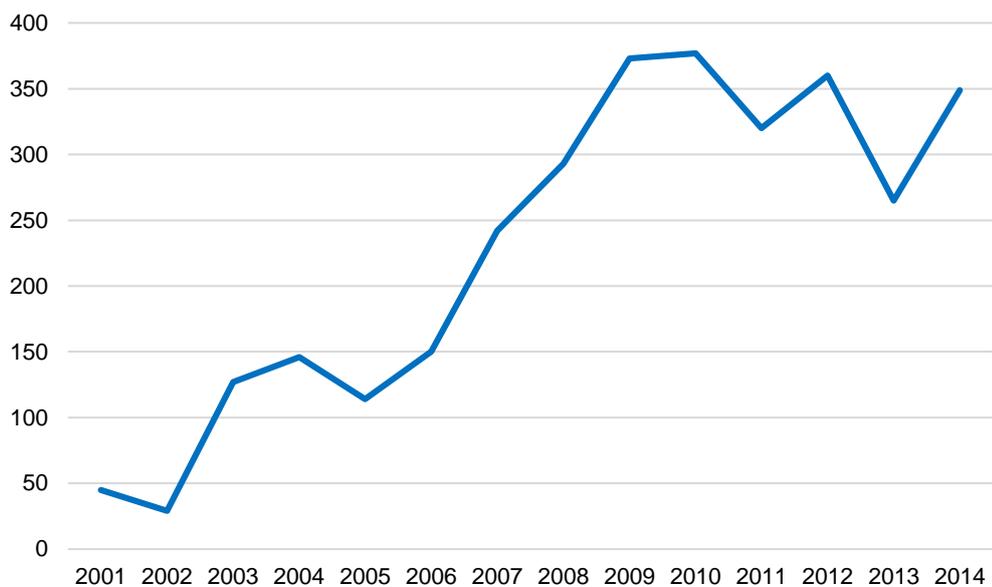


Source: Creative Scotland

## TV Production

**Figure 2.5** shows that, in 2014, 349 television dramas, series and programmes were produced and/ or shot in Scotland.

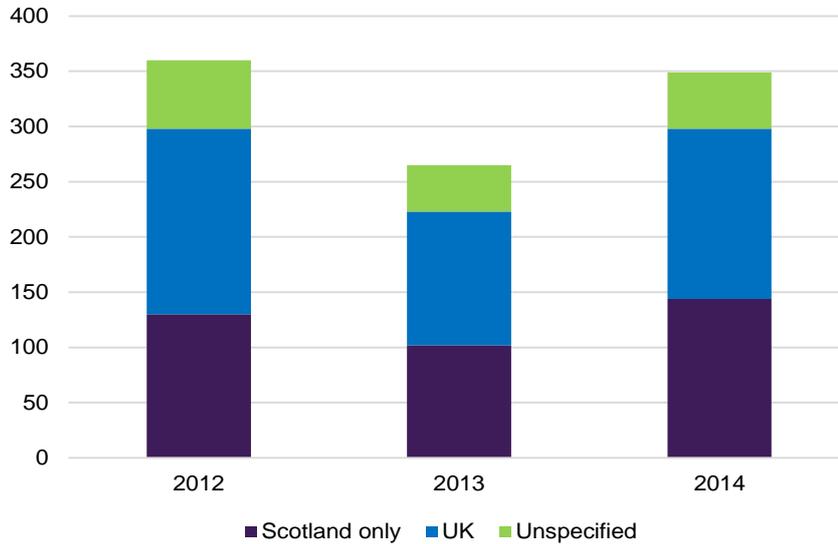
**Figure 2.5: Television productions in Scotland, 2001-2014**



Source: Creative Scotland

The country of origin of television productions in Scotland is broadly evenly split between Scotland based and rest of UK productions – [Figure 2.6](#).

**Figure 2.6: Country of origin of television production in Scotland, 2012-2014**

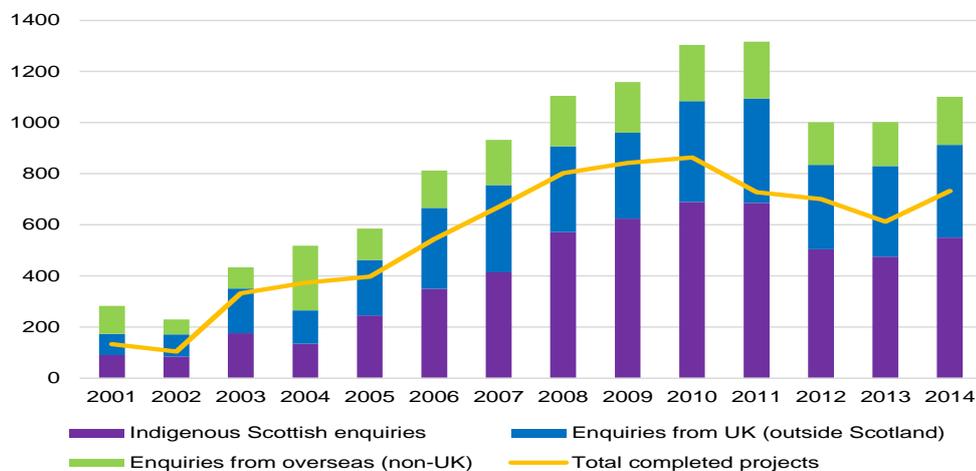


Source: Creative Scotland

## Screen Enquiries

Creative Scotland continues to report a strong pipeline of screen enquiries (including commercials), totalling 1,101 in 2014, with 17% originating from overseas. The number of completed screen projects as a proportion of enquiries has averaged 65% since 2001.

**Figure 2.9: Enquiries made to Creative Scotland**

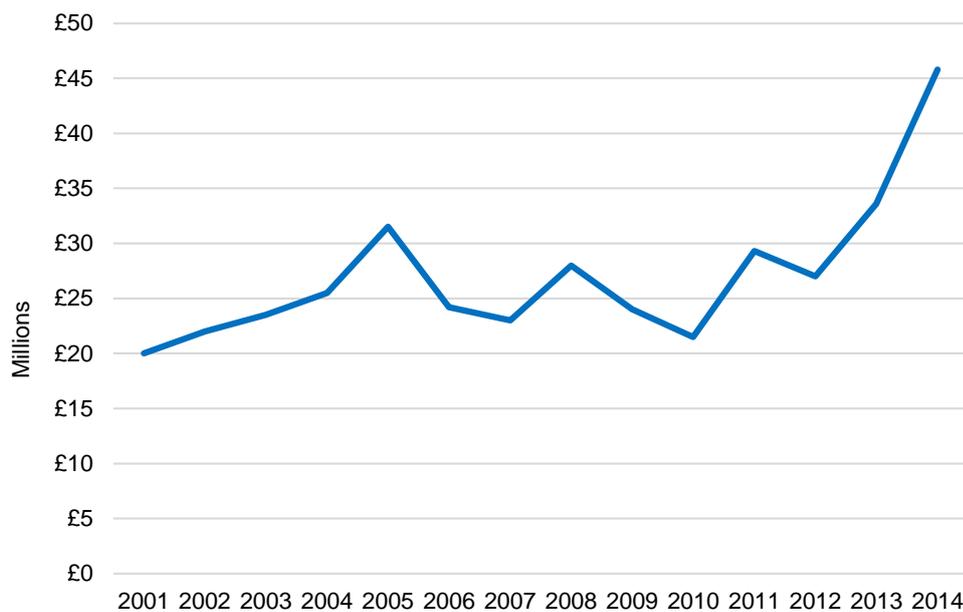


Source: Creative Scotland

## Total Screen Location Spend

Total film and television location spend in Scotland (including commercial advertising) hit a record high of £45.8m in 2014, an increase of 36% on the previous year.

**Figure 2.10: Total Location Spend in Scotland**



Source: Creative Scotland

## Supportive environment

A key incentive for film and HETV to locate in the UK is the 25% relief on corporation tax, available since 2013 subject to a number of criteria being met. This has been successful in attracting high profile film and television productions to the UK and has been a key reason behind the increased demand for film studios.

Additionally, further financial incentives are now offered for films being produced in Scotland by Creative Scotland, following the publication of the organisation's film strategy, *Creative Scotland on Screen 2014-2017*, in October 2014. The two main funding streams are detailed below:

- **Film Funding:** this fund has an allocated budget of £4m for 2015-16, and within it there are five separate streams. Of these, three relate directly to film production and are primarily targeted at domestic talent (the other streams are to support attendance at film festivals and distribution/exhibition):

- Single Project Development Funding: prioritises Scottish talent, with awards of up to £50,000 to support development of films across all genres, with applications taken on a rolling basis;
  - Slate Development Fund: open to experienced producers based in Scotland, with awards of between £50,000 - £150,000 to support development of films across all genres, with an application deadline; and
  - Production Funding: prioritises Scottish talent, with awards of £50,000 - £500,000 to support production of films across all genres, with applications taken on a rolling basis.
- **Production Growth Fund:** with a total budget of £1.75m, and £750,000 allocated to the 2015-16 period, this fund is targeted at inward investors and designed to offer an incentive for film and HETV production to locate in Scotland. Awards can be up to 25% of total budget, in the range of £250,000 - £500,000. Producers must be able to demonstrate a significant economic impact in Scotland (estimated Scottish spend to level of funding granted must be at a ratio of 4:1 or greater). Domestic productions are also eligible for the Fund if accessing it will allow them to base the majority of production in Scotland.

## 2.5 Summary

The overall picture here is one of some volatility within a broadly rising market, particularly in terms of spend. It may be that the tax relief schemes have supported a shift towards higher budget productions, and the evidence suggests that much of this is driven by international production.

Volatility aside, some of which may be due to timing and reporting issues, the data do show strong growth in the UK production market, creating demand for production space. Feedback from industry contacts confirms this (as it also did in 2013). The feedback is that the market is extremely busy and that space in established studios in the UK is booked up for some time ahead. As a result, it was reported that the secondary market in convertible spaces is growing, particularly in London, but also elsewhere as production companies seek space outwith the studio infrastructure.

## 3. Studio Supply

### 3.1 Introduction

In this section we provide an overview of studio provision in the UK. Gathering objective data on the studio sector is difficult, and we have had to rely on online and published sources, which tend to provide only technical specifications for studios and far less on current occupancy rates or prices. We offer some comment on these issues later on, based on industry input and feedback.

### 3.2 Overview

There continues to be substantial growth in soundstage capacity in the UK and Ireland. Significant developments since 2014 have included the expansion of the Warner Bros' owned Leavesden Studios, the opening of Pinewood Wales, and ongoing work at Pinewood Studios which, once completed, will double the number of films the studio can host at one time. There has also been further investment in new and/ or expanded facilities in Belfast, Manchester and Bristol, and Liverpool has recently announced plans to build a new studio<sup>3</sup>.

All of these developments are a clear signal of the degree of confidence in the growing demand for studio space in the UK, and acknowledgement by government and public agencies of the potential economic benefits of attracting production activity (many of these projects have at least some public sector involvement).

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<sup>3</sup> <http://www.liverpoolexpress.co.uk/film-studio-plans-for-liverpool/>

**Table 3.1: Film Studios in the UK and Ireland**

Studio Name	No. of stages	Total Soundstage Capacity	Ceiling Height (range)	Workshop Capacity	On-site facilities	Changes over the last two years
Pinewood Studios, Bucks	16 (21)	269,398 sq. ft	6m -13m	Y	Y	Construction underway on major expansion – Phase 1 set to be complete by late 2016, including 5 new soundstages (170,000 sq. ft), 10 workshops & 2 production offices. Will allow 4 rather than 2 films to be produced at the studio at one time.
Shepperton Studios, Surrey	14	170,204 sq. ft	7m – 14m	Y	Y	No major changes identified – continues to be used for major films
Teddington Studios, London	8	20,399 sq. ft	10m	Y	Y	Set to be demolished following expiration of Pinewood's lease on the site at the end of 2014 and site developed for housing
Elstree Studios, London	7	60,964 sq. ft	8m – 15m	Y	Y	No major changes identified – continues to be used for TV and film
Three Mills Studios, London	11	79,197 sq. ft	7m – 10m	2,605 sq.ft	Y	No major changes identified – continues to be used for TV and film
Longcross Studios, Surrey	4	76,228 sq. ft	9m – 11m	Y	Y	No major changes identified – continues to be used for major films
Leavesden Studios, Herts	13	278,080 sq. ft	8m – 45m	Y	Y	Three new soundstages were added in 2014 – one 35,000sqft and two 17,000sqft, with adjacent office space – giving a total of 13 sound stages. Harry Potter tour now amongst most popular visitor attractions in UK.
The Sharp Project, Manchester	4	50,000 sq. ft	7m	Y	Y	Spin-off studio launched – see below
The Space Project, Manchester	5	55,000 sq ft	6m - 9m	10,000 sq ft	Y	Opened by Manchester City Council in a purpose built facility in Oct 2014. In Sept 2015, further plans for expansion announced – Phase 2 to include 30,000 sq. ft sound stage capacity alongside 60,000 sq. ft of support facilities. Planning application is set to be submitted in 2016.
Pie Factory, Manchester	3	15,300 sq. ft	8m	Y	Y	No changes identified – continues to host TV productions
Dock 10, Manchester	7	32,250 sq. ft	5m - 15m	Y	Y	No changes identified – continues to host TV productions

Bottle Yard, Bristol	6	300,000 sq. ft	8m - 20m	Y	Y	Opened in 2010 in a large warehouse, by Bristol City Council. Attracted ABC's <i>Galavant</i> in 2014, since recommissioned for a second season, and high profile BBC dramas.
Ardmore Studios, Dublin	5	40,300 sq. ft	6m - 11m	Y	Y	Picked up US production <i>Penny Dreadful</i> in 2013 after it struggled find studio space in the UK. Recommissioned for further seasons. Limerick spin-out studio planned.
Ashford Studios, Dublin	3	57,000 sq. ft		20,000 sq. ft	Y	Booked up by Canadian co-production <i>Vikings</i> since studio opened in 2012 – recently recommissioned for another season.
Troy Studios, Limerick (planning granted)	tbc	70,000 sq. ft	n/a	Y	Y	Ardmore spin-out studio in a former industrial building acquired by local authority – planning granted in July 2015 and €1m of public funding set aside for refurbishment in Nov 2015
Titanic Studios Belfast	6 (8)	110,000 sq. ft	13m – 27m	Y	Y	Continues to be used for HBO's <i>Game of Thrones</i> . Construction tender issued in Aug 2015 for £10m expansion, taking in two soundstages totalling 40,000 sq. ft (increasing total to 8 stages)
Pinewood Wales, Cardiff	3	70,000 sq. ft	7m	Y	Y	Opened in 2014 as a collaboration between the Welsh Government and Pinewood – secured remake of <i>The Crow</i> but this has since been put on hold. Set to be used for Amazon's first UK original production in 2016.
Bay Studios, Swansea	-	265,000 sq. ft		Y	Y	Former factory converted in 2012/13 to film US series <i>Da Vinci's Demons</i> . Recently secured major BBC literary adaption, <i>His Dark Materials</i> .
Dragon Studios, Mid-Glamorgan	4	50,871 sq. ft		Y	Y	In administration since 2008 and only used occasionally, until it picked up US production <i>The Bastard Executioner</i> in 2015 – Fox then made a long-term commitment to the studio. However, the show had poor ratings and was cancelled, so the studio is again facing an uncertain future.
Wardpark Studios, Cumbernauld	6	84,800 sq ft	7m – 15m	Y	some	Continues to be used by the <i>Outlander</i> production, which converted the empty factory into a studio in 2013.

At the moment, the *Outlander* production continues to use the Wardpark facility, and has expanded into some of the previously unused space within the building. There is therefore no unused capacity at this site.

Other productions shooting in Scotland have made use of convertible spaces, including warehouse space in Borron Street in Glasgow, amongst others.

It is perhaps worth noting the variations in ceiling heights for studios. The 2014 report identified a need for a ceiling height of at least 10m to cater for large scale TV and film productions. A number of the studios listed above have ceiling heights lower than this, but most are either catering mainly for smaller scale TV production, or have a range of stages with differing heights, including those in excess of 10m.

### 3.3 Occupancy and Pricing

As noted, sourcing information on occupancy rates and pricing for studios is difficult, and we have had to rely on press reports and anecdotal feedback from industry contacts.

#### Occupancy

The general picture is of a very tight market. Producers report real constraints on available studio space, and as a result there is anecdotal feedback that the UK may be losing some business overseas, particularly to Eastern Europe where studios are available, together with a skilled crew base. High profile studios such as Pinewood have announced long running contracts with major producers (e.g. Disney) and continue to enjoy strong and consistent demand. This is also evidenced by the development of additional space, as outlined in the summary table above.

Agencies such as Creative Scotland and (we understand) Film London have been working to find convertible spaces for incoming productions, leading to growth in this secondary market. This is also driven by production budgets, particularly for domestic productions. As an example, one producer reported to us that paying for a studio at a rate of £20 - £30 per sq ft would be too high for the production and, as a result, the company converted a warehouse space at much lower cost. The large US TV shows and features are more likely to be in a position to pay higher studio rates.

On this basis, it seems reasonable to conclude that studio space in the UK is scarce. Coupled with the strong demand, this confirms the findings of the 2014 study that

there is a clear opportunity in the market for a studio. However, it is also clear that pricing will be a critical factor in the success of any new facility.

## Pricing

In considering pricing strategy, a studio would need to take into account a number of internal and external factors:

- the market appeal of the space provided in terms of how much space is available, the ceiling height, presence or otherwise of internal columns, and technical specifications (sound proofing, loading weights on lighting gantries etc);
- supporting infrastructure such as road access, parking, turning circles for large lorries, workshop and build space, backlot space, production offices etc;
- presence on site (or nearby) of supporting services such as lighting and camera hire, costume and props companies, special effects providers and post production companies; and
- access to a skilled crew base in the local area.

All of these factors can save money for production companies and thus confer competitive advantage on a studio able to offer these services and features. As a result, studios with all of these features can typically command higher rental prices.

Indeed, some of these features can be of critical importance. For example, we are aware of a production that sought to use Pinewood Wales but was unable to do interior builds in the facility due to the low ceiling height (7m). There is some feedback that the ceiling height has constrained business at Pinewood Wales, even despite the substantial funding available to productions looking to shoot in the country.

Pinewood/ Shepperton is an instructive example in this respect. The rate card for Pinewood's studios outlines a range of rates depending on the size of the space (larger studios go for lower rates per square foot) and the technical specification (some of the stages have water tanks, for example, and not all have sound proofing). What Pinewood also offers is a large facilities village with a range of companies providing essential support services, easy access to a main international airport at Heathrow, location in the UK's main centre of production activity (London) with a

deep labour pool and access to supporting services, and a strong global brand and links to distribution.

As a result, Pinewood can charge premium rates, and while the rate card is best treated as a guide only, there is a range from around £33 per square foot for the largest stages up to more than £80 for smaller stages. Backlot rates are additional and priced on application. Parking, workshops, offices, storage and dressing rooms are also additional, but we understand that rentals include business rates. It is not clear whether or not utilities are additional but these costs are usually recharged.

We also received feedback from a producer working on a large budget production, which reported paying around £35 per square foot for studio space in a dedicated studio (i.e. not a converted space) with facilities companies on site and a backlot.

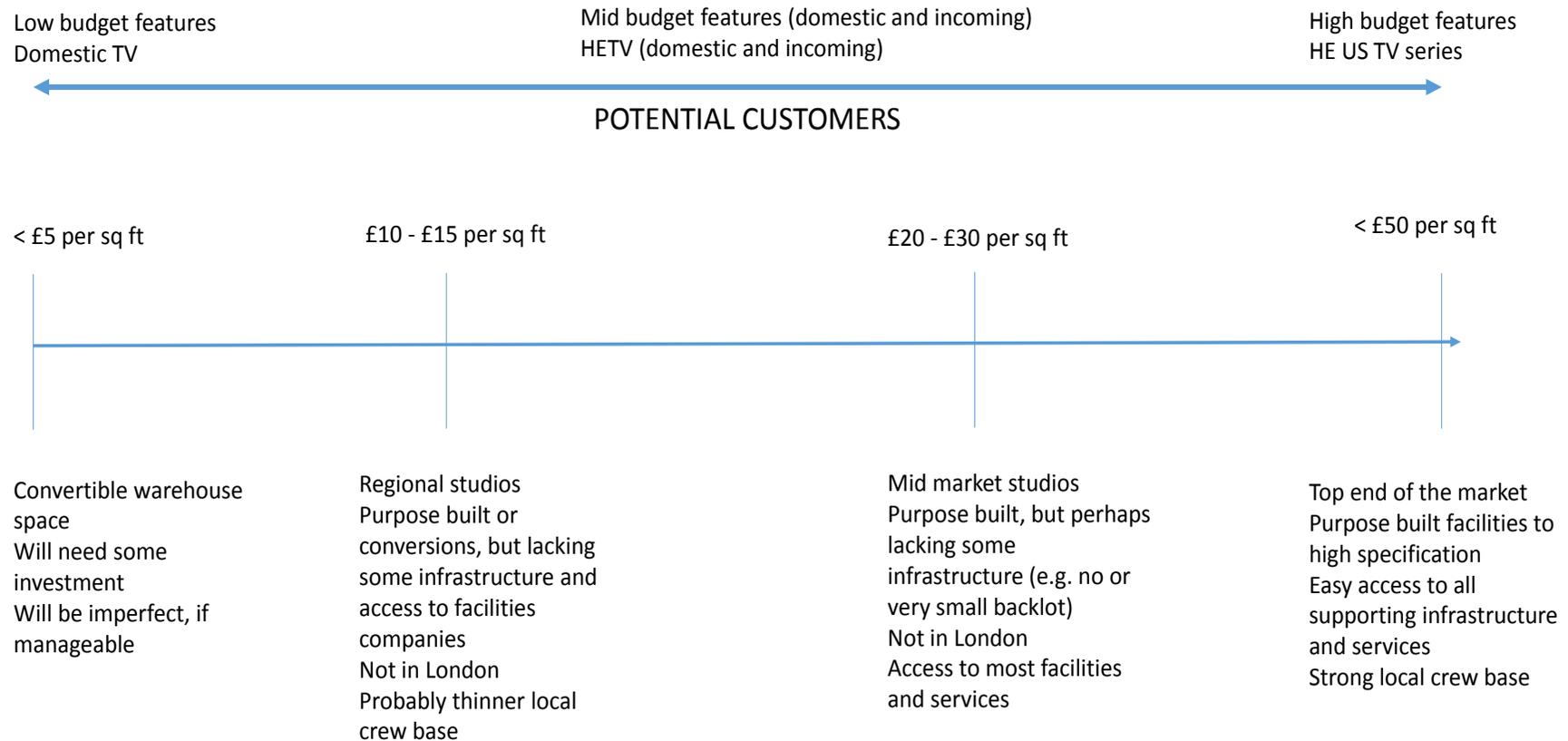
The going rate for converted spaces is also highly variable, depending on the quality of the space and the likely level of investment necessary to bring the facility up to the required standard. Regardless, converting empty warehouse space is considerably cheaper than paying for purpose built facilities, and this market is growing as a result both of pressure on studio space and on some production budgets.

Of course, production incentives can offset some of these (and other) costs for production companies and the UK tax relief schemes are, as discussed earlier, a powerful attractor of business. The Production Growth Fund administered by Creative Scotland is useful in this respect, but is limited in the number of productions it can support, and by the overall value of (grant) investment it can provide to any one production (a maximum of £500,000). While welcome, the Scottish fund is modest compared to that available in Wales, for example, even if the Welsh Fund offers repayable loans rather than grants (which makes the PGF more appealing).

Taking these issues into account, it is useful to consider, as a broad guide only, a spectrum of studio pricing as a means of assessing the likely pricing strategy for any Scottish studio facility.

A pricing strategy aimed at the higher end of the spectrum will obviously narrow the market to higher budget productions, most likely from overseas (US in particular). A lower price point will generate less revenue in the short term, and offers a less attractive (and longer term) investment proposition, although the capital costs of development should be lower.

**Figure 3.1: Studio Pricing Spectrum**



## 4. Summary of Update Findings

Taken in total, the update of the market information paints a similar picture to that provided in the 2014 report, insofar as:

- the level of production spend in the UK continues to grow as a result of the tax relief schemes, and this has been driven in large part by incoming production from abroad;
- this continues to create strong demand for studio space, and there is real pressure on both space and crew across the UK;
- growing demand is spurring the development of new studio space across the UK, together with incentive funding to help attract mobile production (e.g. Wales, Republic of Ireland increasing their tax relief, Scottish Production Growth Fund);
- demand for convertible warehouse space is also increasing, both as a result of the lack of purpose built studio space and pressure on production budgets, particularly for domestic productions; and
- there is still a clear opportunity for the provision of studio space.

However, pricing remains a key issue, and industry feedback suggest that few studios can charge the kinds of rates quoted by Pinewood, even those with high specification facilities and strong reputations.